

Birmingham City Council

Report to Cabinet

11th February 2020



Subject: Housing Rent, Service Charges and Other Charges 2020/21

Report of: Acting Director - Neighbourhoods

Relevant Cabinet Member: Cllr Ian Ward - Leader of the Council
Cllr Sharon Thompson – Cabinet Member for Homes and Neighbourhoods

Relevant O &S Chair(s): Cllr Sir Albert Bore – Resources
Cllr Penny Holbrook – Housing and Neighbourhoods

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007167/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 The report seeks approval for the council housing rent and service charges and garage rents to be implemented from 6 April 2020.
- 1.2 The report also seeks approval not to increase the charges for Temporary Accommodation in 2020/21.
- 1.3 The proposals are subject to the approval of the Budget for 2020/21 by Council on 25 February 2020 and are consistent with the HRA Business Plan 2020+ and the proposed HRA Budget for 2020/21.

2 Recommendations

That Cabinet:-

- 2.1 approves the changes to rents, service charges and garage rents to be implemented from 6 April 2020 (as set out in paragraphs 3.4, 3.5, 3.8 and 3.11).
- 2.2 approves that there is no inflationary increase in the 2020/21 temporary accommodation charges. (as set out in paragraphs 3.14).
- 2.3 approves the service undertaking a full review of the City Council's provision and charging of temporary accommodation, to be concluded in Summer 2020.

3 Background

- 3.1 In the last 4 years there has been a rent reduction of 1% per annum following the revision to the National Rent Policy that was included in the November 2015 Autumn Statement. In October 2017 the government announced its intention to set a long term rent deal for local authority landlords and housing associations from 2020/21 onwards.
- 3.2 The long term rent deal, which was confirmed in the Policy statement on rents for social housing (February 2019), allows local authority landlords to increase rents on both social rent and affordable rent properties on an annual basis by up to CPI +1% from 2020, for a period of at least 5 years.
- 3.3 There are no changes to the existing national guidelines in respect of service charges to tenants. The principle continues to be the recovery of the cost of services provided, including an appropriate proportion of overhead costs. This policy will continue to be applied by the Council.

Birmingham City Council Rent and Service Charge Proposals for 2020/21

- 3.4 It is proposed that social and affordable rents for existing tenants are increased by CPI+1% in line with the new policy, with effect from 6 April 2020. The increase is calculated by reference to inflation in September 2019, and both calculations result in an increase of 2.7%. The average weekly rent to be implemented as a result of this revision will be £89.43 (representing the weekly rent payable over a 48 week cycle, with 4 weeks rent payment holidays, 2 weeks in each of December 2020 and March 2021). This weekly rent over 48 weeks is equivalent to an annualised average rent over 52 weeks of £82.33. It is further proposed that social rents for new tenants are set at formula rents as set out in the "Policy statement on rents for social housing" (February 2019). Appendix 1 sets out proposed typical rent levels on a 52 week basis for the main property types and sizes.
- 3.5 It is proposed that rents charged for properties let at affordable rents continue to be calculated by reference to formula rents, as set out in the "Policy statement on rents for social housing" (February 2019), with an uplift on a 52 week basis

of £2.70 per week (representing an increase of 2.7% from 2019/20), with the overall rent charged representing approximately 70% of market rents in Birmingham.

3.6 The table below shows the key elements of expenditure funded from the weekly rent, including a comparison between the budget for 2019/20 and the proposed budget for 2020/21.

	2019/20	2020/21	Change	%
	£pw	£pw	£pw	
Repairs	18.81	20.00	+1.19	+6.3%
Local Housing Costs*	21.31	22.40	+1.09	+5.1%
Voids & Arrears	3.14	2.68	-0.46	-14.6%
Debt Financing Costs	15.59	16.24	+0.65	+4.2%
Debt Repayment	7.59	4.18	-3.41	-44.9%
Contributions for Capital Investment	13.52	16.83	+3.31	+24.5%
Average Weekly Rent (52 wk basis)	79.96	82.33		

* Includes corporate overheads and recharges

3.7 It should be noted that the budget comparison shows an overall increase of 3.0% in average rents. This is as a result of the average rent change comprising two elements as set out below:

- Rents for existing tenants are proposed to be increased by 2.7% (as set out in paragraph 3.4).
- Rents for new tenants (including for BMHT properties) are proposed to be set at formula rents (as described in paragraph 3.4). These rents continue to be higher than those charged for existing tenants due to the removal of rent convergence increases since April 2015.

3.8 It is proposed that service charges are increased to reflect changes in costs of service delivery as a result of pay and price inflation. The service charges are separately calculated for each District for Caretaking and Cleaning charges, with other charges calculated on a Citywide basis and in all cases will be levied over a 48 week cycle alongside the weekly rent, with the major average charges on a 52 week basis as follows:

Service Charge	April 2019 Average Charge	April 2020 Average Charge	Change from 2019/20
Door Entry / Night-time Security	£9.60	£9.84	+2.5%
Traditional Concierge / Night-time Security (Bloomsbury EMB only)	£20.61	£21.13	+2.5%
Cleaning	£2.78	£2.85	+2.5%
Multi-Storey Communal Areas	£6.73	£6.90	+2.5%
Caretaking	£9.43	£9.67	+2.5%
Careline	£1.98	£2.03	+2.5%
CAT 1 / High Rise	£7.25	£7.43	+2.5%
CAT 2 / Extra Care	£9.82	£10.07	+2.5%

- 3.9 The charges for Cleaning are proposed to increase by 2.5% to reflect increases in the cost of delivery of this service. This service is delivered through external contracts, with an expected increase in contract costs of 2.5%, reflecting general inflationary pressures and the impact of increases in the Living Wage. Other services are substantially delivered through internal resources, which also has a 2.5% increase as set out above.
- 3.10 The rent and service charge increase proposals will ensure that the debt allocation to Birmingham City Council through the implementation of Self-Financing from 1 April 2012 remains affordable, whilst ensuring that services to tenants can be maintained at an appropriate level.
- 3.11 It is proposed to increase garage rents from 6 April 2020 to £9.15 per week (currently £8.39 per week) over a 52 week cycle, equivalent to an increase of 9.2%. This represents the ninth year of a 10-year programme to improve the Council's garage provision, including a rationalisation of holdings, improvements to retained garages and a realignment of garage rents to become closer to market levels and garage rents levied by other local authorities.

Charges for Temporary Accommodation

- 3.12 The majority of Temporary Accommodation provided in discharge of the Council's statutory duty is accommodation leased from private sector landlords, dispersed properties and hostels. The general principle is to increase charges to meet the changes in CPI inflation as a minimum.
- 3.14 Options available are either to increase the rents by CPI+1% or to keep rents unchanged. In order to protect the vulnerable client group, Cabinet Members

have expressed that rents on temporary accommodation remain unchanged for 2020/21. The service has also been asked to undertake a full review of the City Councils provision and charging of TA, to be concluded in Summer 2020. The budget therefore assumes no increase in temporary accommodation charges.

- 3.15 Under the provision of Section 206 (2) of the Housing Act 1996, the local housing authority has power to require the applicant to pay “such reasonable charges as may determine” in respect of the accommodation secured, by itself or by another person. “In determining what constitutes a reasonable charge or amount, regard will be had to the type, nature and extent of the accommodation and personal circumstances of the applicant.”

4 Options considered and Recommended Proposal

- 4.1 As part of the annual Budget setting process, the Council is required to consider the appropriate level of increase to be implemented for rents and service charges to ensure that expenditure plans are affordable.
- 4.2 The proposed rent increase for 2020/21 is consistent with national rent setting policy. Average HRA rents will continue to be below 70% of market rents in Birmingham, and also compare favourably with those charged by Registered Providers.
- 4.3 The government implemented a rent freeze for the last 4 years. From 2020/21 they have implemented a rent increase of CPI plus 1%. Implementing a higher rent increase than proposed, would have an adverse impact on the ability of HRA tenants to pay their rent and have a consequential adverse impact on levels of arrears. Taken together with the impact on tenants’ financial wellbeing, this option is not considered appropriate.
- 4.4 Implementing a lower rent increase than proposed would create additional financial pressures on the HRA and result in a reduction in levels of service provided to tenants. This represents a substantial risk to the effective management of council housing and is not recommended.
- 4.5 The annual changes to the rent and service charges are a key decision and require the approval of Cabinet. The changes are consistent with the approved HRA Business Plan.
- 4.6 The rent and service charge income is a key component of the ring fenced HRA Budget that is scheduled for consideration of the overall Budget for 2020/21. The additional income that will be generated in the HRA in 2020/21 and future years from the proposed changes, when taken alongside other budget proposals, will ensure that the HRA Self-Financing Settlement continues to be affordable in 2020/21.

5 Consultation

- 5.1 The Cabinet Member and other relevant Cabinet Members have been consulted on the review of temporary accommodation charges.
- 5.2 City Housing Liaison Board have been consulted on the contents of this report.

6 Risk Management

- 6.1 The timetable for the introduction of the updates to housing rent, service charges and other charges is in-line with changes in previous years. A project management timetable, with associated responsibilities, has been produced and communicated with all relevant officers. The project will be reviewed regularly to ensure that tenants will be communicated, and that the Northgate Housing IT system will be updated in time for the introduction of the changes on 6th April 2020.

7 Compliance Issues:

- 7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?
 - 7.1.1 The changes to Housing rents, service charges and other charges support the City's priority of having appropriate housing to meet the needs of our citizens.
 - 7.1.2 This decision is consistent with the housing priorities set out in the Council Business Plan and Budget 2020+ and the HRA Business Plan 2020+.

7.2 Legal Implications

- 7.2.1 The Local Government and Housing Act 1989 sets out the obligations for annual reviews of rent and service charges and to ensure that there is a balanced budget for the ring-fenced HRA. This is supplemented by the national rent restructuring policy and the HRA Self-Financing Determination.

7.3 Financial Implications

- 7.3.1 The financial implications are set out in the report.

7.4 Public Sector Equality Duty

- 7.4.1 A copy of the initial screening is attached at Appendix 1 of this report. There are no specific issues identified, as the changes will be implemented for all tenants of the Council and all service users. It is estimated that 75% of council tenants will be insulated from the full impact of the revised charges from 6 April 2020 as they are eligible for support towards their housing costs through housing benefit or universal credit. Those tenants who require assistance will continue to be offered additional financial planning advice through the Central Housing Rents Team and Debt Advice Services in order to reassess and maximise benefit entitlement, and to help tenants to budget effectively.

8 Background Documents

- 8.1 Report to Cabinet Member for Housing (16 January 2012) – HRA Municipal Garage Strategy
- 8.2 CLG Publication – HRA Self-Financing Determination (February 2012)
- 8.3 CLG Publication – A Guide to Social Rent Reforms in the Local Authority Sector (February 2002)
- 8.4 CLG Publication – Guidance on Rents for Social Housing (May 2014)
- 8.5 Council Business Plan and Budget 2020+ (including HRA Business Plan 2020+)
- 8.6 Policy statement on rents for social housing (February 2019)
- 8.7 Regulating the Standards (March 2019) – Regulator of Social Housing

9 Appendices

- 9.1 Appendix 1
- 9.2 Appendix 2a Public Sector Equality Duty Statement
- 9.3 Appendix 2b Equality Assessment
- 9.4 Appendix 3 Risk Assessment